

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended

June 30, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 001-38214

HAMILTON BEACH BRANDS HOLDING COMPANY

(Exact name of registrant as specified in its charter)

Delaware

31-1236686

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

4421 WATERFRONT DR.

GLEN ALLEN

VA

23060

(Address of principal executive offices)

(Zip code)

(804) 273-9777

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, Par Value \$0.01 Per Share	HBB	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☒ Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

Number of shares of Class A Common Stock outstanding at July 30, 2021: 9,869,075

Number of shares of Class B Common Stock outstanding at July 30, 2021: 4,017,885

HAMILTON BEACH BRANDS HOLDING COMPANY
TABLE OF CONTENTS

		<u>Page Number</u>
<u>Part I.</u>	<u>FINANCIAL INFORMATION</u>	
<u>Item 1</u>	<u>Financial Statements</u>	
	<u>Consolidated Balance Sheets</u>	<u>2</u>
	<u>Consolidated Statements of Operations</u>	<u>3</u>
	<u>Consolidated Statements of Comprehensive Income</u>	<u>4</u>
	<u>Consolidated Statements of Cash Flows</u>	<u>5</u>
	<u>Consolidated Statements of Changes in Equity</u>	<u>6</u>
	<u>Notes to Unaudited Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>14</u>
<u>Item 3</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>19</u>
<u>Item 4</u>	<u>Controls and Procedures</u>	<u>20</u>
<u>Part II.</u>	<u>OTHER INFORMATION</u>	
<u>Item 1</u>	<u>Legal Proceedings</u>	<u>22</u>
<u>Item 1A</u>	<u>Risk Factors</u>	<u>22</u>
<u>Item 2</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>22</u>
<u>Item 3</u>	<u>Defaults Upon Senior Securities</u>	<u>22</u>
<u>Item 4</u>	<u>Mine Safety Disclosures</u>	<u>22</u>
<u>Item 5</u>	<u>Other Information</u>	<u>22</u>
<u>Item 6</u>	<u>Exhibits</u>	<u>22</u>
<u>Signatures</u>		<u>23</u>

Part I
FINANCIAL INFORMATION
Item 1. Financial Statements

HAMILTON BEACH BRANDS HOLDING COMPANY
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	JUNE 30 2021	DECEMBER 31 2020	JUNE 30 2020
	(In thousands)		
Assets			
Current assets			
Cash and cash equivalents	\$ 1,108	\$ 2,415	\$ 1,616
Trade receivables, net	102,898	144,797	85,209
Inventory	151,728	173,962	90,572
Prepaid expenses and other current assets	18,220	15,118	13,358
Total current assets	273,954	336,292	190,755
Property, plant and equipment, net	30,319	23,490	23,064
Goodwill	6,253	6,253	6,253
Other intangible assets, net	1,792	1,892	2,494
Deferred income taxes	3,425	6,965	5,830
Deferred costs	14,192	13,449	11,532
Other non-current assets	3,070	2,827	2,673
Total assets	\$ 333,005	\$ 391,168	\$ 242,601
Liabilities and stockholders' equity			
Current liabilities			
Accounts payable	\$ 99,353	\$ 152,054	\$ 92,282
Accounts payable to NACCO Industries, Inc.	34	505	496
Revolving credit agreements	—	—	41,785
Accrued compensation	7,666	15,981	11,362
Accrued product returns	6,276	6,853	7,383
Other current liabilities	17,957	23,677	15,242
Total current liabilities	131,286	199,070	168,550
Revolving credit agreements	99,170	98,360	—
Other long-term liabilities	19,461	13,633	12,499
Total liabilities	249,917	311,063	181,049
Stockholders' equity			
Class A Common stock	102	100	99
Class B Common stock	41	41	41
Capital in excess of par value	60,881	58,485	56,325
Treasury stock	(5,960)	(5,960)	(5,960)
Retained earnings	45,188	44,915	30,528
Accumulated other comprehensive loss	(17,164)	(17,476)	(19,481)
Total stockholders' equity	83,088	80,105	61,552
Total liabilities and stockholders' equity	\$ 333,005	\$ 391,168	\$ 242,601

See notes to unaudited consolidated financial statements.

HAMILTON BEACH BRANDS HOLDING COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2021	2020	2021	2020
	(In thousands, except per share data)		(In thousands, except per share data)	
Revenue	\$ 154,655	\$ 138,297	\$ 303,904	\$ 259,143
Cost of sales	126,272	103,043	243,828	198,849
Gross profit	28,383	35,254	60,076	60,294
Selling, general and administrative expenses	27,447	24,035	53,826	48,248
Amortization of intangible assets	50	324	100	648
Operating profit	886	10,895	6,150	11,398
Interest expense, net	698	366	1,418	969
Other expense (income), net	(224)	(193)	(53)	1,509
Income (loss) from continuing operations before income taxes	412	10,722	4,785	8,920
Income tax expense (benefit)	326	2,657	1,823	2,209
Net income (loss) from continuing operations	86	8,065	2,962	6,711
Income (loss) from discontinued operations, net of tax	—	(305)	—	22,561
Net income (loss)	\$ 86	\$ 7,760	\$ 2,962	\$ 29,272
Basic and diluted earnings (loss) per share:				
Continuing operations	\$ 0.01	\$ 0.59	\$ 0.21	\$ 0.49
Discontinued operations	—	(0.02)	—	1.65
Basic and diluted earnings (loss) per share	\$ 0.01	\$ 0.57	\$ 0.21	\$ 2.14
Basic weighted average shares outstanding	13,875	13,644	13,865	13,635
Diluted weighted average shares outstanding	13,887	13,670	13,881	13,657

See notes to unaudited consolidated financial statements.

HAMILTON BEACH BRANDS HOLDING COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2021	2020	2021	2020
	(In thousands)		(In thousands)	
Net income (loss)	\$ 86	\$ 7,760	\$ 2,962	\$ 29,272
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	(755)	488	(77)	1,545
(Loss) gain on long-term intra-entity foreign currency transactions	1,367	31	334	(4,879)
Cash flow hedging activity	(560)	137	(396)	(25)
Reclassification of hedging activities into earnings	101	(392)	226	(282)
Reclassification of pension adjustments into earnings	112	97	225	292
Total other comprehensive income (loss), net of tax	265	361	312	(3,349)
Comprehensive income	\$ 351	\$ 8,121	\$ 3,274	\$ 25,923

See notes to unaudited consolidated financial statements.

HAMILTON BEACH BRANDS HOLDING COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	SIX MONTHS ENDED JUNE 30	
	2021	2020
	(In thousands)	
Operating activities		
Net income (loss) from continuing operations	\$ 2,962	\$ 6,711
Adjustments to reconcile net income (loss) from continuing operations to net cash provided by (used for) operating activities:		
Depreciation and amortization	1,847	1,486
Deferred income taxes	3,925	1,037
Stock compensation expense	2,532	1,817
Other	(55)	116
Net changes in operating assets and liabilities:		
Affiliate payable	(471)	—
Trade receivables	45,150	19,079
Inventory	23,159	17,222
Other assets	(6,824)	(1,462)
Accounts payable	(53,674)	(18,871)
Other liabilities	(10,126)	(5,383)
Net cash provided by (used for) operating activities from continuing operations	8,425	21,752
Investing activities		
Expenditures for property, plant and equipment	(7,616)	(1,592)
Other	—	(500)
Net cash provided by (used for) investing activities from continuing operations	(7,616)	(2,092)
Financing activities		
Net additions (reductions) to revolving credit agreements	686	(16,692)
Cash dividends paid	(2,689)	(2,454)
Other financing	(163)	—
Net cash provided by (used for) financing activities from continuing operations	(2,166)	(19,146)
Cash flows from discontinued operations		
Net cash provided by (used for) operating activities from discontinued operations	—	(6,193)
Net cash provided by (used for) investing activities from discontinued operations	—	6
Net cash provided by (used for) financing activities from discontinued operations	—	—
Cash provided by (used for) discontinued operations	—	(6,187)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	78	1,079
Cash, cash equivalents and restricted cash		
Increase (decrease) for the period from continuing operations	(1,279)	1,593
Decrease for the period from discontinued operations	—	(6,187)
Balance at the beginning of the period	3,436	7,164
Balance at the end of the period	\$ 2,157	\$ 2,570
Reconciliation of cash, cash equivalents and restricted cash		
Continuing operations:		
Cash and cash equivalents	\$ 1,108	\$ 1,616
Restricted cash included in prepaid expenses and other current assets	213	194
Restricted cash included in other non-current assets	836	760
Cash and cash equivalents of discontinued operations	—	—
Total cash, cash equivalents, and restricted cash	\$ 2,157	\$ 2,570

See notes to unaudited consolidated financial statements.

HAMILTON BEACH BRANDS HOLDING COMPANY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

	Class A Common Stock	Class B Common Stock	Capital in Excess of Par Value	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
(In thousands, except per share data)							
Balance, January 1, 2021	\$ 100	\$ 41	\$ 58,485	\$ (5,960)	\$ 44,915	\$ (17,476)	\$ 80,105
Net income (loss)	—	—	—	—	2,876	—	2,876
Issuance of common stock, net of conversions	2	—	(2)	—	—	—	—
Share-based compensation expense	—	—	973	—	—	—	973
Cash dividends, \$0.095 per share	—	—	—	—	(1,302)	—	(1,302)
Other comprehensive income (loss), net of tax	—	—	—	—	—	(191)	(191)
Reclassification adjustment to net income (loss)	—	—	—	—	—	238	238
Balance, March 31, 2021	102	41	59,456	(5,960)	46,489	(17,429)	82,699
Net income (loss)	—	—	—	—	86	—	86
Share-based compensation expense	—	—	1,425	—	—	—	1,425
Cash dividends, \$0.10 per share	—	—	—	—	(1,387)	—	(1,387)
Other comprehensive income (loss), net of tax	—	—	—	—	—	52	52
Reclassification adjustment to net income (loss)	—	—	—	—	—	213	213
Balance, June 30, 2021	\$ 102	\$ 41	\$ 60,881	\$ (5,960)	\$ 45,188	\$ (17,164)	\$ 83,088

Balance, January 1, 2020	\$ 98	\$ 41	\$ 54,509	\$ (5,960)	\$ 3,710	\$ (16,132)	\$ 36,266
Net income (loss)	—	—	—	—	21,512	—	21,512
Issuance of common stock, net of conversions	1	—	(1)	—	—	—	—
Share-based compensation expense	—	—	554	—	—	—	554
Cash dividends, \$0.09 per share	—	—	—	—	(1,226)	—	(1,226)
Other comprehensive income (loss), net of tax	—	—	—	—	—	(4,015)	(4,015)
Reclassification adjustment to net income (loss)	—	—	—	—	—	305	305
Balance, March 31, 2020	99	41	55,062	(5,960)	23,996	(19,842)	53,396
Net income (loss)	—	—	—	—	7,760	—	7,760
Share-based compensation expense	—	—	1,263	—	—	—	1,263
Cash dividends, \$0.09 per share	—	—	—	—	(1,228)	—	(1,228)
Other comprehensive income (loss), net of tax	—	—	—	—	—	656	656
Reclassification adjustment to net income (loss)	—	—	—	—	—	(295)	(295)
Balance, June 30, 2020	\$ 99	\$ 41	\$ 56,325	\$ (5,960)	\$ 30,528	\$ (19,481)	\$ 61,552

See notes to unaudited consolidated financial statements.

HAMILTON BEACH BRANDS HOLDING COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

(Tabular amounts in thousands, except as noted and per share amounts)

NOTE 1—Basis of Presentation and Recently Issued Accounting Standards

Basis of Presentation

Hamilton Beach Brands Holding Company is a holding company and operates through its wholly-owned subsidiary, Hamilton Beach Brands, Inc. (“HBB”) (collectively “Hamilton Beach Holding” or the “Company”). HBB is a leading designer, marketer, and distributor of a wide range of branded, small electric household and specialty housewares appliances, as well as commercial products for restaurants, fast food chains, bars, and hotels. HBB operates in the consumer, commercial and specialty small appliance markets.

The Company previously also operated through its other wholly-owned subsidiary, The Kitchen Collection, LLC (“KC”), which is reported as discontinued operations in all periods presented herein. KC completed its dissolution on April 3, 2020 with a pro-rata distribution of its remaining assets to creditors, at which time the KC legal entity ceased to exist. See Note 2 for further information on discontinued operations.

The financial statements have been prepared in accordance with US generally accepted accounting principles (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and notes required by US GAAP for complete financial statements. In the opinion of management, all adjustments of a normal recurring nature considered necessary for a fair presentation have been included. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

Operating results for the six months ended June 30, 2021 are not necessarily indicative of the results that may be expected for the remainder of the year due to the highly seasonal nature of the Company's primary markets. A majority of revenue and operating profit typically occurs in the second half of the calendar year when sales of products to retailers and consumers historically increase significantly for the fall holiday-selling season.

Accounting Standards Not Yet Adopted

The Company is an emerging growth company and has elected not to opt out of the extended transition period for complying with new or revised accounting standards, which means that when a standard is issued or revised and it has different application dates for public or nonpublic entities, the Company can adopt the new or revised standard at the time nonpublic entities adopt the new or revised standard.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842),” which requires an entity to recognize assets and liabilities for the rights and obligations created by leased assets. For nonpublic entities, the amendments are currently effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Company is planning to adopt ASU 2016-02 when required and is currently evaluating to what extent ASU 2016-02 will affect the Company's financial position, results of operations, cash flows and related disclosures. The Company expects to record additional assets and corresponding liabilities related to operating leases in the statement of financial position.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments - Credit Losses (Topic 326),” which requires an entity to recognize credit losses as an allowance rather than as a write-down. For nonpublic entities, the amendments are effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted. The Company is planning to adopt ASU 2016-03 for its year ending December 31, 2022 and is currently evaluating to what extent ASU 2016-13 will affect the Company's financial position, results of operations, cash flows and related disclosures.

In December 2019, the FASB issued ASU 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes.” The new accounting rules reduce complexity by removing specific exceptions to general principles related to intraperiod tax allocations, ownership changes in foreign investments, and interim period income tax accounting for year-to-date losses that exceed anticipated losses. The new accounting rules also simplify accounting for franchise taxes that are partially based on income, transactions with a government that result in a step up in the tax basis of goodwill, separate financial statements of legal entities that are not subject to tax, and enacted changes in tax laws in interim periods. The new accounting rules will be effective for the Company for its year ending December 31, 2022. The Company is currently in the process of evaluating the impact of adoption of the new accounting rules on the Company’s financial condition, results of operations, cash flows and disclosures.

In March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” The new accounting rules provide optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform. The amendments in this standard can be applied anytime between the first quarter of 2020 and the fourth quarter of 2022. The Company is currently in the process of evaluating the impact of adoption of the new rules on the Company’s financial condition, results of operations, cash flows and disclosures.

Assets Held for Sale

During the fourth quarter of 2020, the Company committed to a plan to sell its Brazilian subsidiary and determined that it met all of the criteria to classify the assets and liabilities of this business as held for sale. In April 2021, the Company made the decision to wind down the Brazilian subsidiary and enter into a licensing agreement with a third party to service the Brazilian market. As a result, the Company is no longer committed to selling the subsidiary. The carrying amounts of the assets were reclassified to held and used during the second quarter of 2021. The disposal group had \$2.3 million of accumulated other comprehensive losses at June 30, 2021, which will be recognized in net income upon substantial liquidation of the Brazilian subsidiary which is expected to occur in the back half of 2021.

NOTE 2—Discontinued Operations

On October 10, 2019, the Board approved the wind down of KC's retail operations. Accordingly, KC is reported as discontinued operations in all periods presented. KC completed its dissolution on April 3, 2020 with a pro-rata distribution of its remaining assets to creditors, at which time the KC legal entity ceased to exist and was no longer consolidated by the Company. Neither Hamilton Beach Brands Holding Company nor Hamilton Beach Brands, Inc. received a distribution.

KC's operating results are reflected as discontinued operations for all periods presented. The major line items constituting the income (loss) from discontinued operations, net of tax are as follows:

	THREE MONTHS ENDED JUNE 30	SIX MONTHS ENDED JUNE 30
	2020	2020
Revenue	\$ —	\$ 631
Cost of sales	—	—
Gross profit	—	631
Selling, general and administrative expenses	299	1,346
Adjustment of lease termination liability ⁽¹⁾	—	(16,457)
Adjustment of other current liabilities ⁽²⁾	—	(6,608)
Operating income (loss)	(299)	22,350
Other expense, net	88	88
(Loss)/Income from discontinued operations before income taxes	(387)	22,262
Income tax benefit	(82)	(299)
(Loss)/Income from discontinued operations, net of tax	<u>\$ (305)</u>	<u>\$ 22,561</u>

(1) Represents an adjustment to the lease termination obligation based on the final distribution of KC's remaining assets on April 3, 2020.

(2) Represents an adjustment to the carrying value of substantially all of the other current liabilities based on the final distribution of KC's remaining assets on April 3, 2020.

Due to the deconsolidation of KC on April 3, 2020, there are no assets or liabilities associated with KC as of June 30, 2021, December 31, 2020, and June 30, 2020.

Neither Hamilton Beach Brands Holding Company nor HBB has guaranteed any obligations of KC.

NOTE 3—Transfer of Financial Assets

The Company has entered into an arrangement with a financial institution to sell certain US trade receivables on a non-recourse basis. The Company utilizes this arrangement as an integral part of financing working capital. Under the terms of the agreement, the Company receives cash proceeds and retains no rights or interest and has no obligations with respect to the sold receivables. These transactions are accounted for as sold receivables which result in a reduction in trade receivables because the agreement transfers effective control over and risk related to the receivables to the buyer. Under this arrangement, the Company derecognized \$36.2 million and \$66.0 million of trade receivables during the three and six months ending June 30, 2021, respectively, \$38.7 million and \$75.2 million of trade receivables during the three and six months ending June 30, 2020, respectively, and \$162.4 million during the year ending December 31, 2020. The loss incurred on sold receivables in the consolidated results of operations for the six months ended June 30, 2021 and 2020 was not material. The Company does not carry any servicing assets or liabilities. Cash proceeds from this arrangement are reflected as operating activities in the Consolidated Statements of Cash Flows.

NOTE 4—Fair Value Disclosure

The following table presents the Company's assets and liabilities accounted for at fair value on a recurring basis:

Description	Balance Sheet Location	JUNE 30 2021	DECEMBER 31 2020	JUNE 30 2020
Assets:				
Interest rate swap agreements				
Current	Prepaid expenses and other current assets	\$ —	\$ —	\$ —
Foreign currency exchange contracts				
Current	Prepaid expenses and other current assets	47	—	39
		<u>\$ 47</u>	<u>\$ —</u>	<u>\$ 39</u>
Liabilities:				
Interest rate swap agreements				
Current	Other current liabilities	\$ 336	\$ 380	\$ 390
Long-term	Other long-term liabilities	1,188	779	948
Foreign currency exchange contracts				
Current	Other current liabilities	390	518	—
		<u>\$ 1,914</u>	<u>\$ 1,677</u>	<u>\$ 1,338</u>

The Company measures its derivatives at fair value using significant observable inputs, which is Level 2 as defined in the fair value hierarchy. The Company uses a present value technique that incorporates the LIBOR swap curve, foreign currency spot rates and foreign currency forward rates to value its derivatives, including its interest rate swap agreements and foreign currency exchange contracts, and also incorporates the effect of its subsidiary and counterparty credit risk into the valuation.

Other Fair Value Measurement Disclosures

The carrying amounts of cash and cash equivalents, trade receivables and accounts payable approximate fair value due to the short-term maturities of these instruments. The fair value of the revolving credit agreement, including book overdrafts, which approximate book value, was determined using current rates offered for similar obligations taking into account subsidiary credit risk, which is Level 2 as defined in the fair value hierarchy.

There were no transfers into or out of Levels 1 or 2 during the three and six months ended June 30, 2021. During the three months ended June 30, 2021, there was one transfer out of Level 3 related to the \$2.1 million of assets held for sale.

NOTE 5—Stockholders' Equity

Capital Stock

The following table sets forth the Company's authorized capital stock information:

	JUNE 30 2021	DECEMBER 31 2020	JUNE 30 2020
Preferred stock, par value \$0.01 per share			
Preferred stock authorized	5,000	5,000	5,000
Preferred stock outstanding	—	—	—
Class A Common stock, par value \$0.01 per share			
Class A Common stock authorized	70,000	70,000	70,000
Class A Common issued ⁽¹⁾⁽²⁾	10,214	10,006	9,946
Treasury Stock	365	365	365
Class B Common stock, par value \$0.01 per share, convertible into Class A on a one-for-one basis			
Class B Common stock authorized	30,000	30,000	30,000
Class B Common issued ⁽¹⁾	4,025	4,045	4,063

⁽¹⁾ Class B Common converted to Class A Common were 12 and 20 shares during the three and six months ending June 30, 2021, respectively, and 10 and 13 shares during the three and six months ending June 30, 2020, respectively.

⁽²⁾ The Company issued Class A Common shares of 16 and 188 during the three and six months ending June 30, 2021, respectively, and 20 and 128 during the three and six months ending June 30, 2020, respectively.

Accumulated Other Comprehensive Loss: The following table summarizes changes in accumulated other comprehensive loss by component and related tax effects for periods shown:

	Foreign Currency	Deferred Gain (Loss) on Cash Flow Hedging	Pension Plan Adjustment	Total
Balance, January 1, 2021	\$ (9,775)	\$ (1,344)	\$ (6,357)	\$ (17,476)
Other comprehensive income (loss)	(276)	222	—	(54)
Reclassification adjustment to net income (loss)	—	182	156	338
Tax effects	(79)	(115)	(43)	(237)
Balance, March 31, 2021	(10,130)	(1,055)	(6,244)	(17,429)
Other comprehensive income (loss)	725	(800)	—	(75)
Reclassification adjustment to net income (loss)	—	145	155	300
Tax effects	(113)	196	(43)	40
Balance, June 30, 2021	<u>\$ (9,518)</u>	<u>\$ (1,514)</u>	<u>\$ (6,132)</u>	<u>\$ (17,164)</u>
Balance, January 1, 2020	\$ (8,221)	\$ (341)	\$ (7,570)	\$ (16,132)
Other comprehensive income (loss)	(4,985)	(171)	—	(5,156)
Reclassification adjustment to net income (loss)	—	154	239	393
Tax effects	1,132	(35)	(44)	1,053
Balance, March 31, 2020	(12,074)	(393)	(7,375)	(19,842)
Other comprehensive income (loss)	742	137	—	879
Reclassification adjustment to net income (loss)	—	(489)	140	(349)
Tax effects	(223)	97	(43)	(169)
Balance, June 30, 2020	<u>\$ (11,555)</u>	<u>\$ (648)</u>	<u>\$ (7,278)</u>	<u>\$ (19,481)</u>

NOTE 6—Revenue

Revenue is recognized when control of the promised goods or services is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services, which includes an estimate for variable consideration.

HBB's warranty program to the consumer consists generally of an assurance-type limited warranty lasting for varying periods of up to ten years for electric appliances, with the majority of products having a warranty of one to three years. There is no guarantee to the customer as HBB may repair or replace, at its option, those products returned under warranty. Accordingly, the Company determined that no separate performance obligation exists.

HBB products are not sold with a general right of return. However, based on historical experience, a portion of products sold are estimated to be returned due to reasons such as product failure and excess inventory stocked by the customer, which, subject to certain terms and conditions, HBB will agree to accept. Product returns, customer programs and incentive offerings, including special pricing agreements, price competition, promotions, and other volume-based incentives are accounted for as variable consideration.

A description of revenue sources and performance obligations for HBB are as follows:

Consumer and Commercial product revenue

Transactions with both consumer and commercial customers generally originate upon the receipt of a purchase order from the customer, which in some cases are governed by master sales agreements, specifying product(s) that the customer desires. Contracts for product revenue have an original duration of one year or less, and payment terms are generally standard and based on customer creditworthiness. Revenue from product sales is recognized at the point in time when control transfers to the customer, which is either when product is shipped from the Company's facility, or delivered to customers, depending on the shipping terms. The amount of revenue recognized varies primarily with changes in returns. In addition, the Company offers price concessions to its customers for incentive offerings, special pricing agreements, price competition, promotions or other volume-based arrangements. The Company evaluated such agreements with its customers and determined returns and price concessions should be accounted for as variable consideration.

Consumer product revenue consists of sales of small electric household and specialty housewares appliances to traditional brick and mortar and ecommerce retailers, distributors and directly to the end consumer. A majority of this revenue is in North America.

Commercial product revenue consists of sales of products to restaurants, fast-food chains, bars and hotels. Approximately one-half of commercial sales are in the U.S. and the other half is in markets across the globe.

License revenue

From time to time, the Company enters into exclusive and non-exclusive licensing agreements which grant the right to use certain of HBB's intellectual property ("IP") in connection with designing, manufacturing, distributing, advertising, promoting and selling the licensees' products during the term of the agreement. The IP that is licensed generally consists of trademarks, trade names, patents, trade dress, and/or logos (the "Licensed IP"). In exchange for granting the right to use the Licensed IP, HBB receives a royalty payment, which is a function of (1) the total net sales of products that use the Licensed IP and (2) the royalty percentage that is stated in the licensing agreement. HBB recognizes revenue at the later of when the subsequent sales occur or satisfying the performance obligation (over time).

The following table sets forth Company's revenue on a disaggregated basis for the three and six months ended June 30:

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2021	2020	2021	2020
Type of good or service:				
Consumer products	\$ 142,216	\$ 130,670	\$ 281,729	\$ 240,387
Commercial products	10,990	6,146	19,583	16,064
Licensing	1,449	1,481	2,592	2,692
Total revenues	<u>\$ 154,655</u>	<u>\$ 138,297</u>	<u>\$ 303,904</u>	<u>\$ 259,143</u>

NOTE 7—Contingencies

Various legal and regulatory proceedings and claims have been or may be asserted against Hamilton Beach Brands Holdings Company and certain subsidiaries relating to the conduct of its businesses, including product liability, patent infringement, asbestos related claims, environmental and other claims. These proceedings and claims are incidental to the ordinary course of business of the Company. Management believes that it has meritorious defenses and will vigorously defend the Company in these actions. Any costs that management estimates will be paid as a result of these claims are accrued when the liability is considered probable and the amount can be reasonably estimated. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the minimum of the range is accrued. The Company does not accrue liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated or when the liability is believed to be only reasonably possible or remote. For contingencies where an unfavorable outcome is probable or reasonably possible and which are material, the Company discloses the nature of the contingency and, in some circumstances, an estimate of the possible loss.

These matters are subject to inherent uncertainties and unfavorable rulings could occur. If an unfavorable ruling were to occur, there exists the possibility of an adverse impact on the Company's financial position, results of operations and cash flows for the period in which the ruling occurs, or in future periods.

HBB is a defendant in a legal proceeding in which the plaintiff alleges that certain HBB products infringe the plaintiff's patents. On July 21, 2021, the Federal Circuit affirmed the lower court rulings awarding plaintiff damages for infringement of certain patents and denying plaintiff's request for attorney's fees. HBB ceased selling products covered by the decision and expects the decision to have no impact on its ability to sell its current line of products. As of June 30, 2021, the accrual for the contingent loss is \$3.1 million and is classified in other current liabilities.

Hamilton Beach Brands Holding Company (HBBHC) is a defendant in a legal proceeding instituted in February 2020 in which the plaintiff seeks to hold the Company liable for the unsatisfied portion of an agreed final judgment that plaintiff obtained against KC related to KC's failure to continue to operate forty-nine stores during the term of the store leases. In February 2020, KC agreed to the entry of a final judgment in favor of the plaintiff in the amount of \$8.1 million and in April 2020 the plaintiff received \$0.3 million in the final distribution of KC assets to KC creditors. The Company believes that the plaintiff's claims are without merit and will vigorously defend against plaintiff's claims.

Environmental matters

HBB is investigating or remediating historical environmental contamination at some current and former sites operated by HBB or by businesses it acquired. Based on the current stage of the investigation or remediation at each known site, HBB estimates the total investigation and remediation costs and the period of assessment and remediation activity required for each site. The estimate of future investigation and remediation costs is primarily based on variables associated with site clean-up, including, but not limited to, physical characteristics of the site, the nature and extent of the contamination and applicable regulatory programs and remediation standards. No assessment can fully characterize all subsurface conditions at a site. There is no assurance that additional assessment and remediation efforts will not result in adjustments to estimated remediation costs or the time frame for remediation at these sites.

HBB's estimates of investigation and remediation costs may change if it discovers contamination at additional sites or additional contamination at known sites, if the effectiveness of its current remediation efforts change, if applicable federal or state regulations change or if HBB's estimate of the time required to remediate the sites changes. HBB's revised estimates may differ materially from original estimates.

At June 30, 2021, December 31, 2020, and June 30, 2020, HBB had accrued undiscounted obligations of \$3.5 million, \$3.1 million and \$4.2 million respectively, for environmental investigation and remediation activities. HBB estimates that it is reasonably possible that it may incur additional expenses in the range of zero to \$1.4 million related to the environmental investigation and remediation at these sites.

NOTE 8—Income Taxes

The Company's provision for income taxes for interim periods is determined using an estimate of its annual effective tax rate, adjusted for discrete items, if any, that arise during the period. Each quarter, the Company updates its estimate of the annual effective tax rate, and if the estimated annual effective tax rate changes, the Company makes a cumulative adjustment in such period.

During the six months ended June 30, 2021, the Company recorded a total income tax provision of \$1.8 million on a pre-tax income of \$4.8 million resulting in an effective tax rate of 38.1%. The effective tax rate for this period was primarily impacted by \$0.6 million of interest and penalties on unrecognized tax benefits as a discrete expense item. Excluding the impact of the discrete expense, the effective tax rate was 24.8% for the period which is consistent with the effective tax rate during the six months ended June 30, 2020.

Item 2. - Management's Discussion and Analysis of Financial Condition and Results of Operations

(Dollars in thousands, except as noted and per share data)

Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based upon management's current expectations and are subject to various uncertainties and changes in circumstances. Important factors that could cause actual results to differ materially from those described in these forward-looking statements are set forth below under the heading "Forward-Looking Statements."

Hamilton Beach Brands Holding Company is a holding company and operates through its wholly-owned subsidiary Hamilton Beach Brands, Inc. ("HBB") (collectively "Hamilton Beach Holding" or the "Company"). The Company previously operated through its other wholly-owned subsidiary, The Kitchen Collection, LLC ("KC"), which is reported as discontinued operations in all periods presented herein. KC completed its dissolution on April 3, 2020 with a pro-rata distribution of its remaining assets to creditors, at which time the KC legal entity ceased to exist. Neither Hamilton Beach Brands Holding Company nor Hamilton Beach Brands, Inc. received a distribution.

HBB is the Company's single reportable segment and intercompany balances and transactions have been eliminated.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

For a summary of the Company's critical accounting policies, refer to "Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies" in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 as there have been no material changes from those disclosed in the Annual Report.

RESULTS OF OPERATIONS

The Company's business is seasonal and a majority of revenue and operating profit typically occurs in the second half of the year when sales of small electric appliances and kitchenware historically increase significantly for the fall holiday-selling season. Additionally, in the fourth quarter of 2019, KC met the requirements to be reported as a discontinued operation. On April 3, 2020 KC completed its dissolution. See Note 2, Discontinued Operations for more information.

Second Quarter of 2021 Compared with Second Quarter of 2020

	THREE MONTHS ENDED JUNE 30					
	2021	% of Revenue	2020	% of Revenue	Increase / (Decrease) \$ Change	% Change
Revenue	\$ 154,655	100.0 %	\$ 138,297	100.0 %	\$ 16,358	11.8 %
Cost of sales	126,272	81.6 %	103,043	74.5 %	23,229	22.5 %
Gross profit	28,383	18.4 %	35,254	25.5 %	(6,871)	(19.5)%
Selling, general and administrative expenses	27,447	17.7 %	24,035	17.4 %	3,412	14.2 %
Amortization of intangible assets	50	— %	324	0.2 %	(274)	(84.6)%
Operating profit	886	0.6 %	10,895	7.9 %	(10,009)	(91.9)%
Interest expense, net	698	0.5 %	366	0.3 %	332	90.7 %
Other expense (income), net	(224)	(0.1)%	(193)	(0.1)%	(31)	16.1 %
Income (loss) from continuing operations before income taxes	412	0.3 %	10,722	7.8 %	(10,310)	(96.2)%
Income tax expense (benefit)	326	0.2 %	2,657	1.9 %	(2,331)	(87.7)%
Net income (loss) from continuing operations	86	0.1 %	8,065	5.8 %	(7,979)	(98.9)%
Income (loss) from discontinued operations, net of tax	—	n/m	(305)	n/m	305	(100.0)%
Net income (loss)	\$ 86		\$ 7,760		\$ (7,674)	
Effective income tax rate on continuing operations		79.1 %		24.8 %		

The following table identifies the components of the change in revenue:

	Revenue
2020	\$ 138,297
Increase (decrease) from:	
Unit volume and product mix	14,401
Foreign currency	2,307
Average sales price	(350)
2021	\$ 154,655

Revenue - Revenue increased \$16.4 million, or 11.8%, due primarily to higher sales volume in the Latin American, Mexican, and Global Commercial markets compared to prior year as they rebounded from the pandemic-related demand softness. The Company was able to maintain revenue in the US and Canadian consumer markets compared to prior year despite strong sales in the second quarter of 2020, which resulted from pandemic-driven growth.

Gross profit - As a percentage of revenue, gross profit margin decreased from 25.5% in the prior year to 18.4% in the current year due to significantly higher transportation costs as a result of the disruption and congestion in several areas of the Company's supply chain, primarily from China to its distribution facility, causing increased freight and container costs as well as additional carrier storage charges. The Company also experienced increased material costs and higher labor expenses, especially for warehouse personnel.

Selling, general and administrative expenses - Selling, general and administrative expenses increased \$3.4 million, driven primarily by an increase in outside services and employee-related costs, as well as incremental expenses incurred during the relocation to the Company's new distribution center.

Interest expense - Interest expense increased \$0.3 million due to increased average borrowings outstanding under HBB's revolving credit facility.

Income tax expense (benefit) - The effective tax rate was higher for the quarter ended June 30, 2021 when compared to the effective tax rate for the quarter ended June 30, 2020 due primarily to the inclusion of interest and penalties on unrecognized tax benefits as a discrete expense item.

First Six Months of 2021 Compared with First Six Months of 2020

	SIX MONTHS ENDED JUNE 30					
	2021	% of Revenue	2020	% of Revenue	\$ Change	% Change
Revenue	\$ 303,904	100.0 %	\$ 259,143	100.0 %	\$ 44,761	17.3 %
Cost of sales	243,828	80.2 %	198,849	76.7 %	44,979	22.6 %
Gross profit	60,076	19.8 %	60,294	23.3 %	(218)	(0.4)%
Selling, general and administrative expenses	53,826	17.7 %	48,248	18.6 %	5,578	11.6 %
Amortization of intangible assets	100	— %	648	0.3 %	(548)	(84.6)%
Operating profit	6,150	2.0 %	11,398	4.4 %	(5,248)	(46.0)%
Interest expense, net	1,418	0.5 %	969	0.4 %	449	46.3 %
Other expense (income), net	(53)	— %	1,509	0.6 %	(1,562)	(103.5)%
Income (loss) from continuing operations before income taxes	4,785	1.6 %	8,920	3.4 %	(4,135)	(46.4)%
Income tax expense (benefit)	1,823	0.6 %	2,209	0.9 %	(386)	(17.5)%
Net income (loss) from continuing operations	2,962	1.0 %	6,711	2.6 %	(3,749)	(55.9)%
Income (loss) from discontinued operations, net of tax	—	n/m	22,561	n/m	(22,561)	(100.0)%
Net income (loss)	\$ 2,962		\$ 29,272		\$ (26,310)	
Effective income tax rate on continuing operations		38.1 %		24.8 %		

The following table identifies the components of the change in revenue:

	Revenue
2020	\$ 259,143
Increase (decrease) from:	
Unit volume and product mix	41,327
Average sales price	475
Foreign currency	2,959
2021	\$ 303,904

Revenue - Revenue increased by \$44.8 million or 17.3% over the prior year due primarily to higher sales volume in the North American consumer market, as the Company continues to see strong demand in the US, Canadian and Latin American markets. Revenue in the Global Commercial market increased as compared to prior year as a result of strong sales in the second quarter of 2021. The Company remains focused on ecommerce, as revenue from this channel increased 22% in the first half of 2021 compared to the first half of 2020.

Gross profit - Gross profit margin decreased to 19.8% from 23.3% due to significantly higher transportation costs, as a result of the disruption and congestion in the supply chain.

Selling, general and administrative expenses - Selling, general and administrative expenses increased \$5.6 million, driven by an increase in third-party and consulting services fees, employee-related costs, as well as incremental expenses incurred during the relocation of the Company's distribution center. Included in selling, general and administrative expenses for the six months ended June 30, 2020 is \$1.9 million of charges to write-off unrealizable assets created as a result of the Mexico unauthorized transactions identified during the quarter ended March 31, 2020 which resulted in a restatement filed on Form 10-K/A for the year ended December 31, 2019, offset by a \$1.6 million reduction to the accrual for litigation and environmental reserves.

Interest expense - Interest expense, net increased \$0.4 million due to increased average borrowings outstanding under HBB's revolving credit facility.

Other expense (income), net - Other expense (income), net includes currency losses of \$0.4 million in the current year compared to currency losses of \$1.8 million in the prior year. The currency losses arise from the remeasurement of liabilities related to inventory purchases by foreign subsidiaries denominated in US dollars.

Income tax expense (benefit) - The effective tax rate was 38.1% compared to 24.8% in the prior year. The increase is due to the inclusion of interest and penalties on unrecognized tax benefits as a discrete expense item. Excluding the impact of the discrete expense, the effective tax rate was 24.8% for the period which is consistent with the effective tax rate during the six months ended June 30, 2020.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Hamilton Beach Brands Holding Company cash flows are provided by dividends paid or distributions made by its subsidiaries. The only material assets held by it are the investments in consolidated subsidiaries. As a result, certain statutory limitations or regulatory or financing agreements could affect the levels of distributions allowed to be made by its subsidiaries. Hamilton Beach Brands Holding Company has not guaranteed any of the obligations of its subsidiaries.

HBB's principal sources of cash to fund liquidity needs are: (i) cash generated from operations and (ii) borrowings available under the revolving credit facility, as defined below. HBB's primary use of funds consists of working capital requirements, operating expenses, capital expenditures, cash dividends, and payments of principal and interest on debt.

HBB maintains a \$123.5 million senior secured floating-rate revolving credit facility (the "HBB Facility") that expires on June 30, 2025. HBB believes funds available from cash on hand, the HBB Facility and operating cash flows will provide sufficient liquidity to meet its operating needs and commitments arising during the next twelve months.

On April 3, 2020, KC completed its dissolution with a pro-rata distribution of its remaining assets to creditors, at which time the KC legal entity ceased to exist and it was deconsolidated. Neither Hamilton Beach Brands Holding Company nor HBB has guaranteed any obligations of KC.

The following table presents selected cash flow information from continuing operations:

	SIX MONTHS ENDED JUNE 30	
	2021	2020
Net cash provided by (used for) operating activities	\$ 8,425	\$ 21,752
Net cash provided by (used for) investing activities	\$ (7,616)	\$ (2,092)
Net cash provided by (used for) financing activities	\$ (2,166)	\$ (19,146)

Operating activities - Net cash provided by operating activities was \$8.4 million compared to \$21.8 million in the prior year. As compared to the prior year, the lower net cash provided by operating activities was primarily due to lower net income, an increase in working capital requirements, as well as a decrease in other liabilities, primarily income taxes payable.

Investing activities - Net cash used for investing activities increased in 2021 compared to 2020 due to capital spending for the Company's new distribution center leased facility, which is partially offset by \$4.0 million in lease incentives and tenant improvement allowances classified as cash provided by operating activities.

Financing activities - Net cash used for financing activities was \$2.2 million compared to \$19.1 million in 2020. The change is due to a decrease in HBB's net borrowing activity on the revolving credit facility during the first six months of 2021 as compared to the first six months of 2020. Borrowings on the revolving credit facility are used to fund net working capital.

Capital Resources

HBB maintains a \$123.5 million senior secured floating-rate revolving credit facility (the "HBB Facility") that expires on June 30, 2025. The Company expects to continue to borrow against the facility and make voluntary repayments within the next twelve months. The obligations under the HBB Facility are secured by substantially all of HBB's assets. At June 30, 2021, the borrowing base under the HBB Facility was \$121.6 million and borrowings outstanding were \$99.2 million. At June 30, 2021, the excess availability under the HBB Facility was \$22.4 million.

The maximum availability under the HBB Facility is governed by a borrowing base derived from advance rates against eligible trade receivables, inventory and trademarks of the borrowers, as defined in the HBB Facility. Borrowings bear interest at a floating rate, which can be a base rate, LIBOR or bankers' acceptance rate, as defined in the HBB Facility, plus an applicable margin. The applicable margins, effective June 30, 2021, for base rate loans and LIBOR loans denominated in US dollars were 0.0% and 1.75%, respectively. The applicable margins, effective June 30, 2021, for base rate loans and bankers' acceptance loans denominated in Canadian dollars were 0.0% and 1.75%, respectively. The HBB Facility also requires a fee of 0.25% per annum on the unused commitment. The margins and unused commitment fee under the HBB Facility are subject to quarterly adjustment based on average excess availability. The weighted average interest rate applicable to the HBB Facility for the six months ended June 30, 2021 was 2.60% including the floating rate margin and the effect of the interest rate swap agreements described below.

To reduce the exposure to changes in the market rate of interest, HBB has entered into interest rate swap agreements for a portion of the HBB Facility. Terms of the interest rate swap agreements require HBB to receive a variable interest rate and pay a fixed interest rate. HBB has interest rate swaps with notional values totaling \$25.0 million at June 30, 2021 at an average fixed interest rate of 1.66%. HBB also entered into delayed-start interest rate swaps during the second quarter of 2021. These swaps have notional values totaling \$50.0 million as of June 30, 2021, with an average fixed interest rate of 1.7%.

The HBB Facility includes restrictive covenants, which, among other things, limit the payment of dividends to Hamilton Beach Holding, subject to achieving availability thresholds. Under Amendment No. 8 to the HBB Facility, dividends to Hamilton Beach Holding are not to exceed \$6.0 million during any calendar year to the extent that for the thirty days prior to the dividend payment date, and after giving effect to the dividend payment, HBB maintains excess availability of at least \$15.0 million. Dividends to Hamilton Beach Holding are discretionary to the extent that for the thirty days prior to the dividend payment date, and after giving effect to the dividend payment, HBB maintains excess availability of at least \$25.0 million. The HBB Facility also requires HBB to achieve a minimum fixed charge coverage ratio in certain circumstances, as defined in the HBB Facility. At June 30, 2021, HBB was in compliance with all financial covenants in the HBB Facility.

In December 2015, the Company entered into an arrangement with a financial institution to sell certain US trade receivables on a non-recourse basis. The Company utilizes this arrangement as an integral part of financing working capital. See Note 3 of the unaudited consolidated financial statements.

HBB believes funds available from cash on hand, the HBB Facility and operating cash flows will provide sufficient liquidity to meet its operating needs and commitments arising during the next twelve months.

Contractual Obligations, Contingent Liabilities and Commitments

For a summary of the Company's contractual obligations, contingent liabilities and commitments, refer to "Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Contractual Obligations, Contingent Liabilities and Commitments" in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 as there have been no material changes from those disclosed in the Annual Report.

Off Balance Sheet Arrangements

For a summary of the Company's off balance sheet arrangements, refer to "Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Off Balance Sheet Arrangements" in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 as there have been no material changes from those disclosed in the Annual Report.

FORWARD-LOOKING STATEMENTS

The statements contained in this Form 10-Q that are not historical facts are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward looking statements are made subject to certain risks and uncertainties, which could cause actual results to differ materially from those presented. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. Such risks and uncertainties include, without limitation: (1) the Company’s ability to ship products to meet the anticipated increase in demand, (2) the Company’s ability to successfully manage the anticipated transportation constraints, (3) the unpredictable nature of the COVID-19 pandemic and its potential impact on the Company’s business; (4) changes in the sales prices, product mix or levels of consumer purchases of small electric and specialty housewares appliances, (5) changes in consumer retail and credit markets, including the increasing volume of transactions made through third-party internet sellers, (6) bankruptcy of or loss of major retail customers or suppliers, (7) changes in costs, including transportation costs, of sourced products, (8) delays in delivery of sourced products, (9) changes in or unavailability of quality or cost effective suppliers, (10) exchange rate fluctuations, changes in the import tariffs and monetary policies and other changes in the regulatory climate in the countries in which HBB buys, operates and/or sells products, (11) the impact of tariffs on customer purchasing patterns, (12) product liability, regulatory actions or other litigation, warranty claims or returns of products, (13) customer acceptance of, changes in costs of, or delays in the development of new products, (14) increased competition, including consolidation within the industry, (15) shifts in consumer shopping patterns, gasoline prices, weather conditions, the level of consumer confidence and disposable income as a result of economic conditions, unemployment rates or other events or conditions that may adversely affect the level of customer purchases of HBB products, (16) changes mandated by federal, state and other regulation, including tax, health, safety or environmental legislation, (17) difficulties arising as a result of the Company’s implementation, integration or operation of an enterprise resource planning system in the US, (18) the Company’s ability to successfully remediate the material weaknesses in its internal control over financial reporting disclosed in Item 9A of the Annual Report on Form 10-K within the time periods and in the manner currently anticipated, additional material weaknesses or other deficiencies that may arise in the future or its ability to maintain an effective system of internal controls, (19) the Company’s ability to effectively plan and manage the relocation to its new distribution center, and (20) other risk factors, including those described in the Company’s filings with the Securities and Exchange Commission, including, but not limited to, the Annual Report on Form 10-K for the year ended December 31, 2020. Furthermore, the situation surrounding COVID-19, including the mutation of variants, remains fluid and the potential for a material impact on the Company’s results of operations, financial condition, liquidity, and stock price increases the longer the virus impacts activity levels in the US and globally. For this reason, the Company cannot reasonably estimate with any degree of certainty the future impact COVID-19 may have on its results of operations, financial position, liquidity and stock price. The extent of any impact will depend on the extent of new outbreaks, the extent to which new shutdowns may be needed, the nature of government public health guidelines and the public’s adherence to those guidelines, the impact of government economic relief on the US economy, unemployment levels, the success of businesses reopening fully, the availability of vaccines for COVID-19, the rate of individuals becoming fully vaccinated, the potential need for fully vaccinated individuals to receive booster shots, consumer confidence and demand for the Company’s products.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

INTEREST RATE RISK

HBB enters into certain financing arrangements that require interest payments based on floating interest rates. As such, the Company’s financial results are subject to changes in the market rate of interest. There is an inherent rollover risk for borrowings as they mature and are renewed at current market rates. The extent of this risk is not quantifiable or predictable because of the variability of future interest rates and business financing requirements. To reduce the exposure to changes in the market rate of interest, HBB has entered into interest rate swap agreements for a portion of its floating rate financing arrangements. The Company does not enter into interest rate swap agreements for trading purposes. Terms of the interest rate swap agreements require HBB to receive a variable interest rate and pay a fixed interest rate.

For purposes of risk analysis, the Company uses sensitivity analysis to measure the potential loss in fair value of financial instruments sensitive to changes in interest rates. The Company assumes that a loss in fair value is an increase to its receivables. The fair value of the Company’s interest rate swap agreements was a payable of \$1.5 million at June 30, 2021. A hypothetical 10% decrease in interest rates would cause a decrease of \$0.3 million in the fair value of interest rate swap agreements. Additionally, a hypothetical 10% increase in interest rates would not have a material impact to the Company’s interest expense, net of \$1.4 million for the six months ended June 30, 2021.

FOREIGN CURRENCY EXCHANGE RATE RISK

HBB operates internationally and enters into transactions denominated in foreign currencies, principally the Canadian dollar, the Mexican peso and, to a lesser extent, the Chinese Yuan and Brazilian Real. As such, HBB's financial results are subject to the variability that arises from exchange rate movements. The fluctuation in the value of the US dollar against other currencies affects the reported amounts of revenues, expenses, assets and liabilities. The potential impact of currency fluctuation increases as international expansion increases.

HBB uses forward foreign currency exchange contracts to partially reduce risks related to transactions denominated in foreign currencies and not for trading purposes. These contracts generally mature within twelve months and require HBB to buy or sell the functional currency in which the applicable subsidiary operates and buy or sell US dollars at rates agreed to at the inception of the contracts.

For purposes of risk analysis, the Company uses sensitivity analysis to measure the potential loss in fair value of financial instruments sensitive to changes in foreign currency exchange spot rates. The Company assumes that a loss in fair value is either a decrease to its assets or an increase to its liabilities. The fair value of the Company's foreign currency exchange contracts was a payable of \$0.3 million at June 30, 2021. Assuming a hypothetical 10% weakening of the US dollar at June 30, 2021, the fair value of foreign currency-sensitive financial instruments, which represents forward foreign currency exchange contracts, would be decreased by \$2.4 million compared with its fair value at June 30, 2021.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2021. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of June 30, 2021, due to the existence of the material weakness in our internal control over financial reporting related to income taxes as described below, our disclosure controls and procedures were not effective to provide reasonable assurance that the information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Material Weaknesses

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Material Weaknesses Related to our Mexican Subsidiaries

As described in Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2020, we identified two material weaknesses at our Mexican subsidiaries as of December 31, 2019 related to (1) the design and operating effectiveness of review controls for account reconciliations and manual journal entries and (2) the design and operating effectiveness of transaction level controls over authorization of spending with vendors, adjusting product costing and selling prices, new customer setup and accounting for price concessions with our customers.

Remediation of Material Weaknesses

The Company developed and implemented a plan of remediation to strengthen our internal controls over financial reporting at our Mexican subsidiary. The steps taken to remediate the Company's material weakness included the following:

- **Personnel Actions** - We have terminated employees of one of our Mexican subsidiaries found to have engaged in misconduct, which included collusion between these employees and vendors and customers of our Mexican subsidiaries in which such employees had an interest. Additional training on our code of conduct has been implemented for all employees of the Mexican subsidiaries.

- **Organizational Enhancements** - We have implemented organizational enhancements as follows: (i) augmented our local accounting team for our Mexican subsidiaries with additional professionals with the relevant levels of accounting and controls knowledge, experience and training in the area of account reconciliations and manual journal entries to validate that account reconciliations and manual journal entries are supported by accurate and complete information; (ii) developed a more comprehensive review process and monitoring controls over the approval for vendor payments, changes to product cost and selling prices, approval for new customer setup including related terms and accounting for price concessions with our customers at our Mexican subsidiaries; and (iii) outsourced functions at our Mexican subsidiaries where third-party service providers provide expertise or technical skillset, as appropriate

The actions described above to address the material weaknesses are fully implemented and the operational effectiveness of related internal controls has been validated through testing. Based on the actions taken, and the testing and evaluation of the effectiveness of the controls, management concluded that these controls are operating effectively and the material weaknesses described above has been remediated as of June 30, 2021.

Material Weakness Related to Income Taxes

As of December 31, 2020, management determined that we did not design and maintain effective controls over our income tax accounting process to identify and accurately measure deferred tax assets, deferred tax liabilities and income taxes payable and the related income tax expense. While the control deficiency did not result in a misstatement of our previously issued consolidated financial statements, the control deficiency could result in a material misstatement of the aforementioned account balances or disclosures that would result in a material misstatement in our annual or interim consolidated financial statements that would not be prevented or detected.

Plan for Remediation of Material Weakness

We are committed to remediating the control deficiencies that gave rise to the material weakness. Management is responsible for implementing changes and improvements to internal control over financial reporting and for remediating the control deficiencies that gave rise to the material weakness.

With oversight from the Audit Review Committee, we have developed a plan to remediate the material weakness in internal control over financial reporting related to our income taxes accounting process, which consists of:

- a. Reviewing the organization structure, resources, processes, and controls in place to measure and record income taxes to enhance the effectiveness of the design and operation of those controls;
- b. Enhancing monitoring activities related to income taxes; and
- c. Evaluating and enhancing the level of precision in the management review controls related to income taxes.

Management has made progress on this plan during the quarter, making changes to the organizational structure and resources as well as engaging a third party with the relevant levels of tax experience to support the income taxes accounting process. Although these remediation efforts are underway, until the actions are fully implemented and the operational effectiveness of related internal controls is validated through testing, the material weakness described above will continue to exist.

Changes in internal control over financial reporting

Other than with respect to the material weaknesses related to our Mexico subsidiaries discussed above that were identified as of December 31, 2019 and subsequently remediated as of June 30, 2021, there were no changes in the Company's internal control over financial reporting identified during the quarter ended June 30, 2021, in connection with the evaluation by the Company's management required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

OTHER INFORMATION

Item 1 Legal Proceedings

The information required by this Item 1 is set forth in Note 7 "Contingencies" included in the Financial Statements contained in Part I of this Form 10-Q and is hereby incorporated herein by reference to such information.

Item 1A Risk Factors

No material changes to the risk factors for Hamilton Beach Holding or HBB, from the Company's Annual Report on Form 10-K for the year ended December 31, 2020, except for the following, which should be read in conjunction with the risk factors in such Annual Report on Form 10-K.

Failure to adequately plan and manage the relocation of the Company's distribution center may interrupt its operations and lower its operating income.

HBB has signed a lease agreement and is in the process of relocating to a new US distribution center. The move entails risk that could cause delays and cost overruns, such as: reduced shipping capabilities; disruptions in the integration of the new distribution center with the warehouse management system; and unanticipated cost increases. There is also the risk that the Company will not adequately adjust its business processes or appropriately manage its work force during the transition. Failure to adequately plan and manage the relocation efforts could cause a disruption in its operations and lower its operating income.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

On November 5, 2019, the Company's Board adopted a new stock repurchase program for the purchase of up to \$25.0 million of the Company's Class A Common outstanding starting January 1, 2020 and ending December 31, 2021.

There were no share repurchases during the six months ended June 30, 2021 and June 30, 2020.

Item 3 Defaults Upon Senior Securities

None.

Item 4 Mine Safety Disclosures

None.

Item 5 Other Information

None.

Item 6 Exhibits

Exhibit Number*	Description of Exhibits
10.1	Hamilton Beach Brands Holding Company Non-Employee Directors' Equity Compensation Plan (Amended and Restated Effective May 18, 2021) (incorporated herein by reference to Appendix A of the Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 filed by Hamilton Beach Brands Holding Company on April 5, 2021, Commission File No. 001-38214)
31(i)(1)	Certification of Gregory H. Trepp pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act
31(i)(2)	Certification of Michelle O. Mosier pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act
32	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed and dated by Gregory H. Trepp and Michelle O. Mosier
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Numbered in accordance with Item 601 of Regulation S-K.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 4, 2021

Hamilton Beach Brands Holding Company
(Registrant)

/s/ Michelle O. Mosier

Michelle O. Mosier
Senior Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)/(Principal Accounting Officer)

HAMILTON BEACH BRANDS HOLDING COMPANY
NON-EMPLOYEE DIRECTORS' EQUITY COMPENSATION PLAN

(Amended and Restated Effective May 18, 2021)

1. Purpose of the Plan

The purpose of this Hamilton Beach Brands Holding Company Non-Employee Directors' Equity Compensation Plan ("Plan") is to provide for the payment to the non-employee directors of Hamilton Beach Brands Holding Company ("Company") a portion of their Directors' fees in capital stock of the Company to help further align the interests of the Directors with the stockholders of the Company and thereby promote the long-term interests of the Company.

2. Effective Date

This Plan was originally effective September 29, 2017. This amended and restated Plan is effective May 18, 2021 ("Effective Date"), subject to the approval of the Plan by the stockholders of the Company as of such Effective Date.

3. Definitions

(a) "Average Share Price" means the average of the closing price per share of Class A Common Stock on the New York Stock Exchange on the Friday (or if Friday is not a trading day, the last trading day before such Friday) for each week of the calendar quarter ending on the Quarter Date.

(b) "Board" means the Board of Directors of the Company.

(c) "Class A Common Stock" means (i) the Company's Class A Common Stock, par value \$0.01 per share and (ii) any security into which Class A Common Stock may be converted by reason of any transaction or event of the type referred to in Section 5(c) of this Plan.

(d) "Committee" means the Compensation Committee of the Board or any other committee appointed by the Board to administer this Plan in accordance with the provisions hereof, so long as any such committee consists of not less than two directors of the Company and so long as each member of the Committee is (i) an "independent director" under the Rules of the New York Stock Exchange and (ii) a "non-employee director" for purposes of Rule 16b-3.

(e) "Director" means an individual duly elected or chosen as a director of the Company who is not also an employee of the Company or its subsidiaries.

(f) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

(g) "Extraordinary Event" shall have the meaning set forth in Section 5.

(h) "Payment Deadline" means the date that is the fifteenth day of the third month after each Quarter Date.

(i) "Quarter Date" means the last day of the calendar quarter for which a Required Amount or Voluntary Amount is earned.

(j) "Required Amount" means an amount of money constituting that portion (as determined from time to time by the Board) of a Director's standard non-employee director annual retainer ("Retainer") earned by such Director for his services as a Director for any calendar quarter that is payable in Shares as described in Section 4.1(a).

(k) "Rule 16b-3" means Rule 16b-3 promulgated under the Securities Exchange Act of 1934 (or any successor rule to the same effect), as in effect from time to time.

(l) "Shares" means shares of Class A Common Stock that are issued or transferred to a Director pursuant to, and with such restrictions as are imposed by, the terms of this Plan in respect of the Director's Required Amount.

(m) "Transfer" shall have the meaning set forth in Section 4.2(a).

(n) "Voluntary Amount" shall have the meaning set forth in Section 4.2(b).

(o) “Voluntary Shares” means shares of Class A Common Stock that are issued or transferred to a Director in accordance with Section 4.1(c) in respect of the Director’s Voluntary Amount.

4. Shares and Voluntary Shares

4.1 Required Amount and Voluntary Amount

(a) Required Amount. From time to time, the Board shall determine (i) the amount of the Retainer to be paid to each Director for each calendar quarter of a year, (ii) subject to Section 4.1(b), the portion of the Retainer that shall be paid in cash and (iii) the equity portion of the Retainer (expressed in dollars) that is required to be paid in Shares as described in Section 4.1(c) (i.e., the Required Amount), in each case subject to pro-rata in the event that the Director begins or ceases non-employee Director service during the applicable calendar quarter.

(b) Voluntary Shares. For any calendar quarter, a Director may elect to have up to 100% of the cash component of the Retainer payable for such quarter in excess of the Required Amount, and any other cash to be earned by the Director for such quarter for services as a director of the Company (collectively referred to as a “Voluntary Amount”), not paid to the Director in cash, but instead to have the Voluntary Amount applied to the issuance or transfer to the Director of Voluntary Shares as described in Section 4.1(c); provided that the Director must notify the Company in writing of such election prior to the first day of the calendar quarter for which such election is made, which election will be irrevocable after such date for such calendar quarter and shall remain in effect for future calendar quarters unless or until revoked by the Director prior to the first day of a calendar quarter.

(c) Issuance of Shares and Voluntary Shares. Promptly following each Quarter Date (and, in any event, no later than the Payment Deadline), the Company shall issue or transfer to each Director (or to a trust for the benefit of the Director, or such Director’s spouse, children or grandchildren, if so directed by the Director) (i) a number of whole Shares equal to the Required Amount for the calendar quarter ending on such Quarter Date divided by the Average Share Price and (ii) a number of whole Voluntary Shares equal to such Director’s Voluntary Amount for such calendar quarter divided by the Average Share Price. To the extent that the application of the foregoing formulas would result in fractional Shares or fractional Voluntary Shares, no fractional shares of Class A Common Stock shall be issued or transferred by the Company pursuant to this Plan, but instead, such amount shall be paid to the Director in cash at the same time the Shares and Voluntary Shares are issued or transferred to the Director. Shares and Voluntary Shares shall be fully paid, nonassessable shares of Class A Common Stock. Shares shall be subject to the restrictions set forth in this Plan, whereas Voluntary Shares shall not be so restricted. Shares and Voluntary Shares may be shares of original issuance or treasury shares or a combination of the foregoing and, in the discretion of the Company, may be issued as certificated or uncertificated shares. The Company shall pay any and all fees and commissions incurred in connection with the purchase by the Company of shares of Class A Common Stock which are to be Shares or Voluntary Shares and the transfer to Directors of Shares or Voluntary Shares.

(d) Withholding Taxes. To the extent that the Company is required to withhold federal, state, local, or other taxes in connection with any amount payable to a Director under this Plan, and the amounts available to the Company for such withholding are insufficient, it shall be a condition to the receipt of any Shares or Voluntary Shares that the Director make arrangements satisfactory to the Committee for the payment of the balance of such taxes required to be withheld, which arrangements may include relinquishment of the Shares or the Voluntary Shares. To the extent permitted under applicable law, the Committee and Director also may make similar arrangements with respect to the payment of any other taxes derived from or related to the payment of Shares or Voluntary Shares with respect to which withholding is not required.

4.2 Restrictions on Shares.

(a) Restrictions on Transfer of Shares. No Shares shall be assigned, pledged, hypothecated or otherwise transferred (any such assignment, pledge, hypothecation or transfer being referred to herein as a “Transfer”) by a Director or any other person, voluntarily or involuntarily, other than (i) by will or by the laws of descent and distribution, (ii) pursuant to a domestic relations order that would meet the definition of a qualified domestic relations order under Section 206(d)(3)(B) of ERISA if such provisions applied to the Plan or a similar binding judicial order (“QDRO”), or (iii) directly or indirectly to a trust or partnership for the benefit of a Director, or such Director’s spouse, children or grandchildren. Shares transferred to a person other than the Director pursuant to a QDRO shall not be subject to the restrictions described in this Section 4.2(a), but Shares transferred to a trust or partnership for the benefit of a Director, or such Director’s spouse, children or grandchildren, shall remain subject to the restrictions described in this Section 4.2(a) until such restrictions lapse pursuant to the following sentence. The restrictions on Shares set forth in this Section shall lapse for all purposes and shall be of no further force or effect upon the earliest to occur of (A) ten years after the Quarter Date with respect to which such Shares were issued or transferred, (B) the date of the death or cessation of service to the Company due to permanent disability of the Director, (C) five years (or earlier with the approval of the Board) after the Director’s retirement from the Board, (D) the date that a Director is, both, retired from the Board and has reached

70 years of age, or (E) at such other time as determined by the Board in its sole and absolute discretion. Following the lapse of restrictions, at the Director's request, the Company shall take all such action as may be necessary to remove such restrictions from the stock certificates, or other applicable records with respect to uncertificated shares, representing the Shares, such that the resulting shares shall be fully paid, nonassessable and unrestricted by the terms of this Plan.

(b) Dividends, Voting Rights, Exchanges, Etc. Except for the restrictions set forth in this Section 4.2 and any restrictions required by law, a Director shall have all rights of a stockholder with respect to his Shares including the right to vote and to receive dividends as and when declared by the Board and paid by the Company. Except for any restrictions required by law, a Director shall have all rights of a stockholder with respect to his Voluntary Shares.

(c) Restriction on Transfer of Rights to Shares. No rights to Shares or Voluntary Shares shall be assigned, pledged, hypothecated, or otherwise transferred by a Director or any other person, voluntarily or involuntarily, other than (i) by will or by the laws of descent and distribution or (ii) pursuant to a QDRO.

(d) Legend. The Company shall cause a legend, in substantially the following form, to be placed on each certificate, or other applicable record(s) with respect to uncertificated shares, for the Shares:

THE[SE] SHARES [REPRESENTED BY THIS CERTIFICATE] ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER SET FORTH IN THE HAMILTON BEACH BRANDS HOLDING COMPANY NON-EMPLOYEE DIRECTORS' EQUITY COMPENSATION PLAN ("PLAN"). SUCH RESTRICTIONS ON TRANSFER UNDER THE PLAN SHALL LAPSE FOR ALL PURPOSES AND SHALL BE OF NO FURTHER FORCE OR EFFECT AFTER , OR SUCH EARLIER TIME AS PROVIDED IN THE PLAN.

5. Amendment, Termination and Adjustments

(a) The Board may alter or amend the Plan from time to time or may terminate it in its entirety; provided, however, that no such action shall, without the consent of a Director, materially adversely affect the rights in any Shares or Voluntary Shares that were previously issued or transferred to the Director or that were earned by, but not yet issued or transferred to, such Director. Unless otherwise specified by the Committee, all Shares that were issued or transferred prior to the termination of this Plan shall continue to be subject to the terms of this Plan following such termination; provided that the transfer restrictions on such Shares shall lapse in accordance with Section 4.2(a). In any event, no Shares or Voluntary Shares may be issued or transferred under this Plan on or after the tenth anniversary of the Effective Date.

(b) Notwithstanding the provisions of Subsection (a), without further approval by the stockholders of the Company, no such amendment or termination shall (i) materially increase the total number of shares of Class A Common Stock that may be issued or transferred under this Plan specified in Section 6 (except that adjustments and additions expressly authorized by this Section shall not be limited by this clause (i)) or (ii) make any other change for which stockholder approval would be required under applicable law or stock exchange requirements.

(c) The Committee shall make or provide for such adjustments in the Average Share Price, in the kind of shares that may be issued or transferred hereunder, in the number of shares of Class A Common Stock specified in Section 6(a) or 6(b), in the number of outstanding Shares or Voluntary Shares for each Director, and in the terms applicable to the Shares or Voluntary Shares under this Plan, as the Committee, in its sole discretion, exercised in good faith, may determine is equitably required to reflect (i) any stock dividend, stock split, combination of shares, recapitalization or any other change in the capital structure of the Company, (ii) any merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets or issuance of rights or warrants to purchase securities, or (iii) any other corporate transaction or event having an effect similar to any of the foregoing (collectively referred to as an "Extraordinary Event"). Moreover, in the event of any such Extraordinary Event, the Committee may provide in substitution for any or all outstanding Shares or Voluntary Shares under this Plan such alternative consideration (including cash), if any, as it, in good faith, may determine to be equitable under the circumstances and shall require in connection therewith the surrender of all Shares or Voluntary Shares so replaced. All securities received by a Director with respect to Shares or Voluntary Shares in connection with any Extraordinary Event shall be deemed to be Shares or Voluntary Shares, as applicable, for purposes of this Plan and shall be restricted pursuant to the terms of this Plan to the same extent and for the same period as if such securities were the original Shares or Voluntary Shares with respect to which they were issued or transferred, unless the Committee, in its sole and absolute discretion, eliminates such restrictions or accelerates the time at which such restrictions on transfer shall lapse.

6. Shares Subject to Plan

(a) Subject to adjustment as provided in this Plan, the total number of shares of Class A Common Stock that may be issued or transferred under this Plan on or after the Effective Date will not exceed in the aggregate 300,000, plus any additional shares

that remain available for issuance under the Plan originally effective September 29, 2017. Notwithstanding anything to the contrary contained in this Plan, shares of Class A Common Stock withheld by the Company, tendered or otherwise used to satisfy any tax withholding obligation will count against the aggregate number of shares of Class A Common Stock available under this Section 6(a).

(b) Notwithstanding anything in this Section 6, or elsewhere in this Plan to the contrary, and subject to adjustment as provided in this Plan, in no event will any Director receive in any calendar year more than 30,000 shares of Class A Common Stock, in the aggregate, under this Plan.

7. Approval By Stockholders

The Plan was approved originally by the Board of Directors and sole stockholder of the Company on September 18, 2017 (thereafter effective on September 29, 2017), and this amended and restated Plan was approved by the stockholders of the Company on the Effective Date.

8. General Provisions

(a) No Continuing Right as Director. Neither the adoption nor operation of this Plan, nor any document describing or referring to this Plan, or any part thereof, shall confer upon any Director any right to continue as a Director of the Company or any subsidiary of the Company.

(b) Governing Law. The provisions of this Plan shall be governed by and construed in accordance with the laws of the State of Delaware.

(c) Cash If Shares Not Issued. All Required Amounts and Voluntary Amounts are the property of the Directors and shall be paid in cash in the event that Shares and Voluntary Shares may not be issued or transferred to Directors hereunder in respect of Required Amounts or Voluntary Amounts.

(d) Miscellaneous. Headings are given to the sections of this Plan solely as a convenience to facilitate reference. Such headings, numbering and paragraphing shall not in any case be deemed in any way material or relevant to the construction of this Plan or any provisions thereof. The use of the masculine gender also shall include the feminine. The use of the singular also shall include the plural, and vice versa.

(e) Section 409A of the Internal Revenue Code. This Plan is intended to be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, and applicable Treasury Regulations issued thereunder, and shall be administered in a manner that is consistent with such intent.

Certifications

I, Gregory H. Trepp, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hamilton Beach Brands Holding Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2021

/s/ Gregory H. Trepp

Gregory H. Trepp
President and Chief Executive Officer
(Principal Executive Officer)

Certifications

I, Michelle O. Mosier, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hamilton Beach Brands Holding Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2021

/s/ Michelle O. Mosier

 Michelle O. Mosier
 Senior Vice President, Chief Financial Officer and
 Treasurer
 (Principal Financial Officer)/(Principal Accounting Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Hamilton Beach Holding Company (the “Company”) on Form 10-Q for the quarter ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: August 4, 2021

/s/ Gregory H. Trepp

Gregory H. Trepp

President and Chief Executive Officer (Principal Executive Officer)

Date: August 4, 2021

/s/ Michelle O. Mosier

Michelle O. Mosier

Senior Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)/(Principal Accounting Officer)